Army Utility Privatization Program

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OFFICE OF THE ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT

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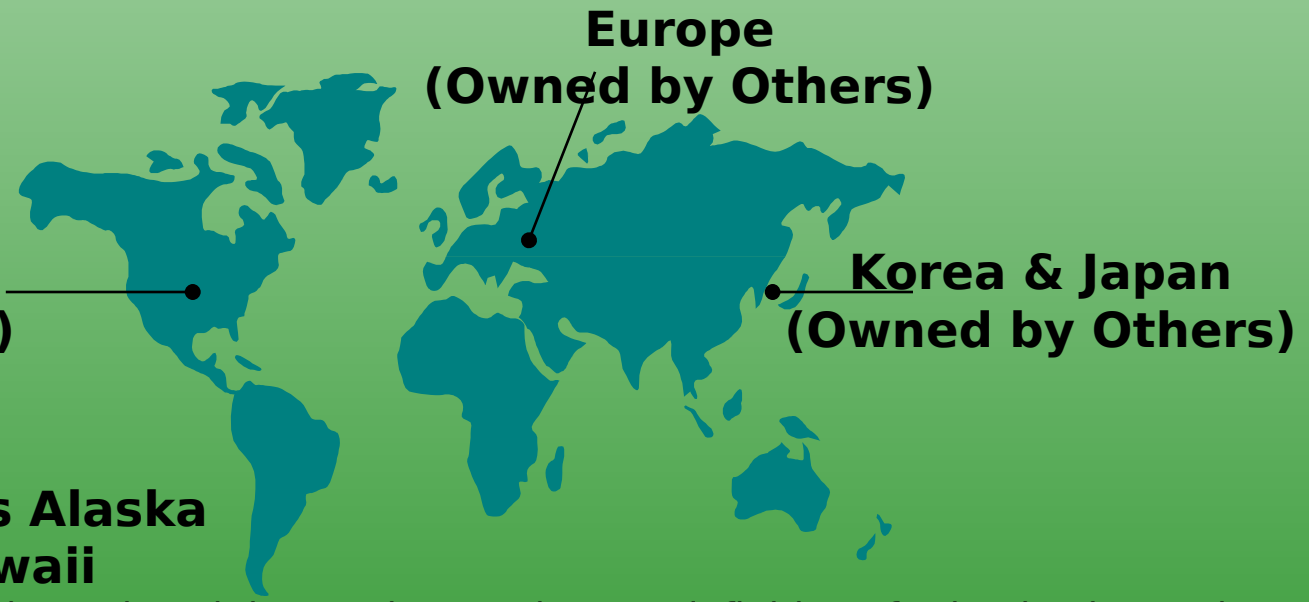
27-30 Mar 2000

Utility Privatization Program

System	Total Systems (1)	Privatized Pre-DRID (2)	Owned By Others (3)	Available to Privatize (4)
Electric	344	4	253	87
NG	137	21	60	56
Water	314	3	221	90
Waste	309	3	219	87
Army	1104	31	753	320



*** Includes Alaska & Hawaii**

Available to Privatize reduced due to changes in OSD definition of privatization and new classification of “Owned by Others” which the Army views as re-classification of National Guard and OCONUS systems

Privatization Regulations and Guidance

➢ 10 U.S.C. Section 2688, Utility Systems - Conveyance Authority

- Defense Reform Initiative Directive (DRID) #49, Privatizing Utility Systems, 27 Dec 98

- Federal Acquisition Regulation Part 41, Sub Part 41.2

- HQDA OACSIM Memorandum, Policies and Procedures for Privatization of Army Owned Utility Systems at Active Installations, 4 Nov 97
- HQDA OACSIM Memorandum, Privatizing Utility Systems, 2 Sep 99
- DoD OGC Memorandum, The Role of State Laws and Regulations in Utility Privatization, 4 Feb 00
- HQDA OACSIM Memorandum, Privatization of Army Owned Utility Systems - Criteria for Exemptions, 21 Jan 99
- HQDA OACSIM Memorandum, Privatization of Army Owned Water Systems - Water Rights, 15 Oct 98
- CERE-MM Memorandum, Revised Guidance - Privatization/Disposal of Utility Systems at Active Military Installations, 10 Oct 97

Note: Listing is not all inclusive

FY99 Successes

☑ Privatized

- ✔ Aberdeen PG, gas system transferred to Baltimore Gas and Electric
- ✔ Aberdeen PG, Water & wastewater systems to City of Aberdeen
- ✔ Fort Benning electric system transferred to Flint Electric, Inc.
- ✔ Fort Leonard Wood natural gas to Omega Pipeline Co.
- ✔ Fort Belvoir gas to Washington Gas
- ✔ Fort Dix electric & gas to Jersey Central Power & Light Co.
- ✔ Fort McCoy gas to Northern States Power Co
- ✔ Twin Cities AAP electric & gas to Northern States Power Co
- ✔ Fort Ritchie wastewater treatment plant to Washington County, MD
- ✔ Fort Pickett wastewater treatment plant to Town of Blackstone
- ✔ Fort Eustis wastewater system to Hampton Roads Regional Authority
- ✔ Stewart Sub-II (USMA) water system to Town of New Windsor
- ✔ Stewart Sub-II (USMA) natural gas system to Central Hudson
- ✔ Europe - 70 small systems transferred

Current Program Status

System	Total Systems (1)	Privatized Pre-DRID (2)	Owned By Others (3)	Available to Privatize (4)	Security & Mission Exempt (5)	Economic Exempt Pre-RFP (6)	Gos (7)	Milestone #1 Go/ No Go (8)	Milestone #2 RFP (9)	Economic Exempt Post-RFP (10)	DRID #49 Goal Contract Award (11)	Total DRID Complete (12)
Electric	344	4	253	87	0	9	32	41	15	1	2	14%
NG	137	21	60	56	0	4	25	29	14	0	3	13%
Water	314	3	221	90	0	9	27	36	14	0	3	13%
Waste	309	3	219	87	1	10	28	39	13	0	3	16%
Army	1104	31	753	320	1	32	112	145	56	1	11	14%

1. The total number of systems in the Service's inventory.
2. Systems that were privatized prior to 23 DEC 98.
3. Systems, that may or may not be maintained by the Service, but because they are not owned by the Service, they cannot be privatized.
4. The total systems (1) less privatized pre-DRID (2) and owned by others (3).
5. Systems exempt for security or mission reasons.
6. Systems that either have no private interest or were shown to be uneconomical before the RFP process.
7. Systems that have been sent forward to the RFP process.
8. Summation of exemptions and gos [(5)+(6)+(7)]. This is the first interim milestone in DRID #49.
9. Systems that have had RFPs issued. This is the second interim milestone in DRID #49.
10. Systems that have been proven uneconomic based on the results of an RFP.
11. Systems that have had a privatization contract awarded meeting the DRID #49 goal.
12. Percentage of exempted and privatized systems [(5)+(6)+(10)+(11)] compared to available systems (4).

*Note - Official Data as of 15 Jan 00

DRID #49 Milestones

DRID #49, 23 Dec 98, established three milestone events -

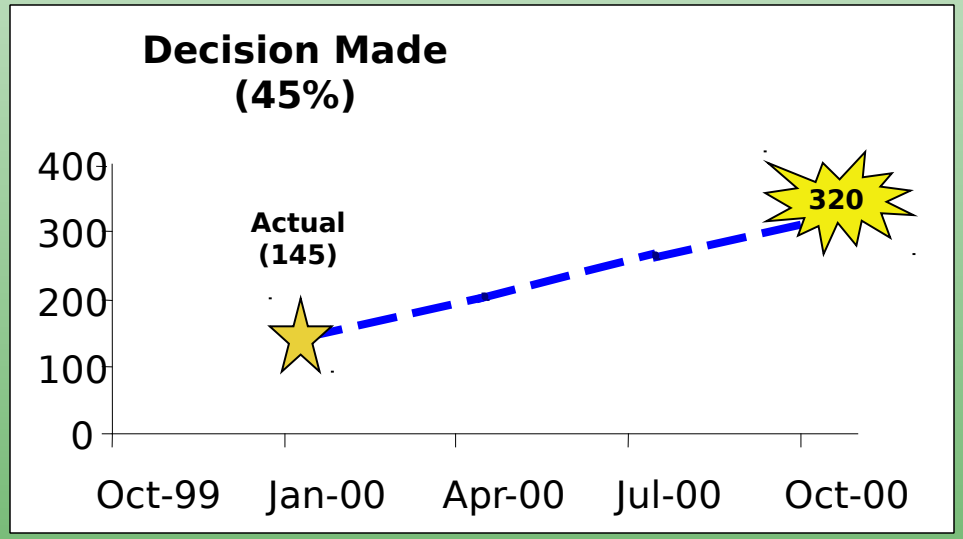
30 Sep 00 Make a “GO/NO GO” decision for each system based on study determination. - All Army Systems available to privatize are “Go”

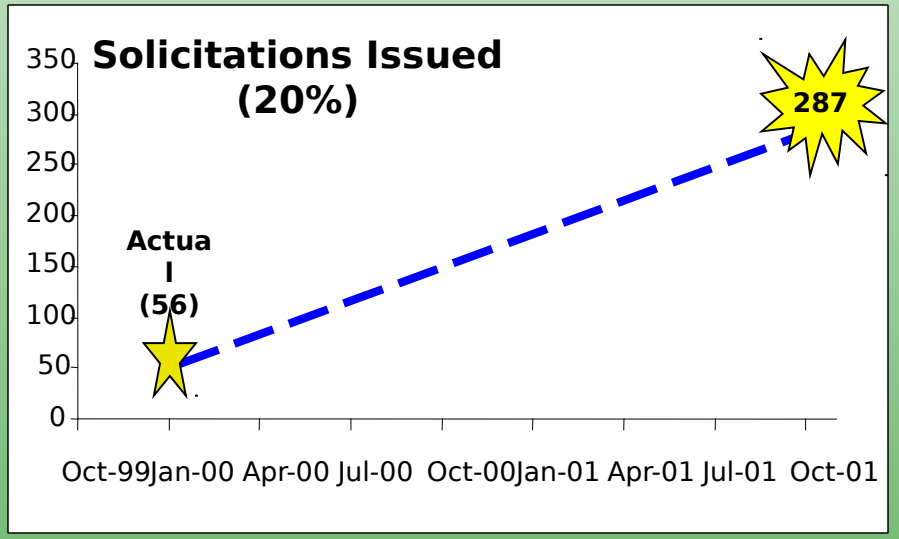
30 Sep 01 Release all solicitations for systems to be privatized

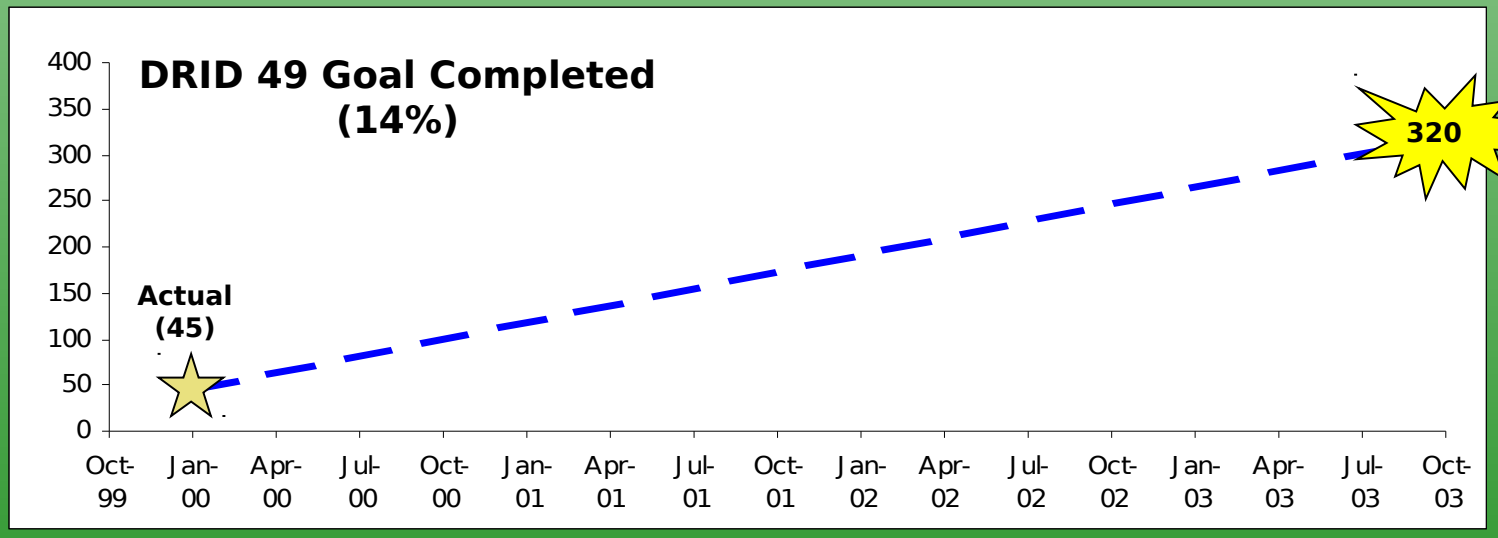
30 Sep 03 Award all contracts

“Privatized” can be a contract awarded to the private sector or a SecArmy approved exemption from privatization

Milestone Progress







15 Mar 00 Data

Army and MACOM FY00 Goals

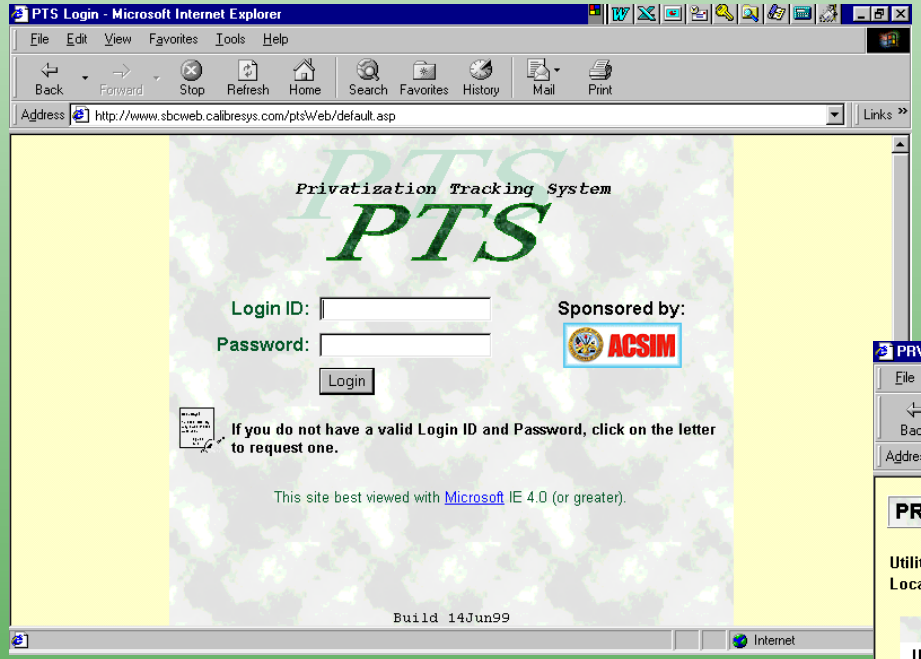
FY00
100 systems
CONUS Only

MACOM	# of Systems	MACOM	# of Systems
AMC	30	ATEC	2
FORSCOM	14	MDW	15
MEDCOM	8	MTMC	2
TRADOC	14	SMDC	4
USARPAC	2	USARC	5
USMA	3	USARSO	1

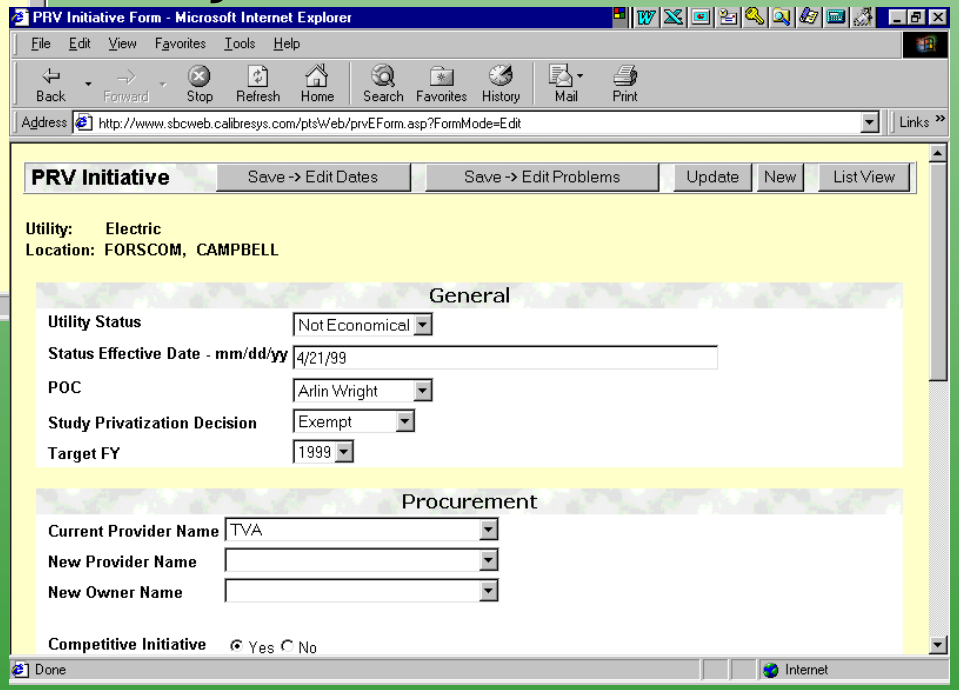
Utilities Privatization
Enablers

- **Funding**
  - PBD 721 directs funding of $40M (FY 00-04) for all privatization actions (studies, RFP's, real estate, environmental support)
- **FY 2000 Authorization Act, Sec 2812**
  - Legislation to issue privatization contracts up to 50 years.
  - Authorizes transfer of real estate
  - Allows use of utility MILCON to offset costs
- **DoD OGC Legal Opinion**
  - Supports use of competitive procedures in selecting best value provider for Army system(s)

Privatization Tracking System


PTS Login - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Forward Stop Refresh Home Search Favorites History Mail Print
Address http://www.sbcweb.calibresys.com/ptsWeb/default.asp
Links
Privatization Tracking System
PTS
Login ID:
Password:
Login
Sponsored by:
ACSIM
If you do not have a valid Login ID and Password, click on the letter to request one.
This site best viewed with Microsoft IE 4.0 (or greater).
Build 14Jun99
Internet

- PTS is used to track status by installation
- Quarterly reports to OSD - Oct 15, Jan 15, Apr 15, Jul 15



- Plan and program efforts
- Document Successes
- DPW responsibility - coord with DOC/Supporting contract agency.

Request for Exemption

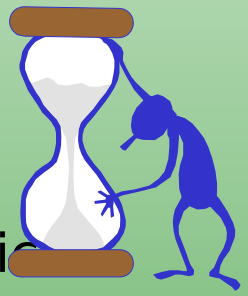
Exemptions may be approved when privatization is not economical, or where security issues are involved, e.g. Ft Campbell Electric (uneconomical) and Aberdeen PG (security).

- Requests must be forwarded from installation through MACOM to HQDA, OACSIM.
- Exemption packages must include -
  - Installation commander's request for exemption (Record of Decision)
  - Synopsis of process and results when uneconomical or justification due to security reasons.
  - Letters of concurrence from Legal and Contracting (when resulting from RFP evaluation)
  - Complete Economic Analysis and detail information on costs and analysis prepared using ECONPACK (Tri-Service Life Cycle Cost Analysis software).
- *NOTE: OSD applying close scrutiny/review of all exemption requests.*

Processing a Package

(what happens when the package goes into the "Black Hole"?)

- OACSIM is responsible for processing exemption requests and approvals to privatize.



- All Packages are reviewed and coordinated with -
  - Office of General Counsel (legal review)
  - Assistant Sec Army - Financial Management (economic review)
  - Army Regulatory Law (legal review)
  - ACSIM resource management (budget impacts)
  - ***ASA (ALT) (contract review)***
- Staffing to Congress or SecArmy -
  - Through ACSIM Facilities and Housing Dir to MG Van Antwerp
  - From MG Van Antwerp to DASA(Installations & Housing)
  - Contract Awards - From DASA(I&H) to congressional committees (21 day notification period)
  - Requests for Exemptions - To Sec Army with copy to OSD.

General Issues

- CIAC - Contribution In Aid of Construction tax
- Environmental concerns and documentation
- Water rights
- “Competition” versus “comply with state rules”
- Real estate - transfer ownership or lease
- Deregulation - Federal and State
- Total energy management -
  - Combine privatization, energy management, commodity purchase into one management approach.

Contract Specific Concerns

- Funds upfront, prior to issuing solicitation -
  - Utility contracts are funded from “J” account - one year monies. “J” account is a MUST FUND, and $$ will be provided for award and subsequent invoices once known.
  - Treat similar to Subject to Availability of Funds (SAF) type solicitations.
- Environmental documents should be started as soon as initiating the project and completed prior to award of contract. They are *not* required to be completed *prior to issuance* of solicitation.
- Don’t mix rules for commodity purchase with rules for privatization. Commodity is separate and not included.

Initiatives

- Mega CBD Notice Of Interest to privatize for 100+ systems issued by DESC for the Army (posted 17 Jun 99). Received responses for all systems.

- Consolidate multiple systems into one solicitation
  (Ex: Ft. Hamilton gas, water, electric and wastewater)

- Consolidate installations & systems into regional RFP
  (Ex: - MDW (FTs Meyer, Belvoir, McNair, Meade & A. P. Hill)
  TRADOC - Virginia (FTs Lee, Eustis, Monroe, and Storey)
  FORSCOM - Georgia (FTs Stewart, Gillem, McPherson & Hunter AAF)

- Joint Services Partnerships (Texas, Alaska, Hawaii)

- Total integrated energy management concept

Fort Hood Concept Project

- The RFP will allow companies to bid any or all of the nine Utility Partner elements:
  - **Privatization of the four utility systems - contracts to be awarded only if privatization of each utility is found to be cost-effective on a stand-alone basis.**
  - **Efficiency investments in government-owned water and energy end-use systems.**
  - **Integrator role for planning, operation, and maintenance of all utility systems, including expert guidance and implementation support for commodity management.**
  - **Supply of natural gas, potable water, and wastewater treatment (and potentially electricity after deregulation) - contracts to be awarded only if current commodity prices can be bettered.**
- Contracts will be awarded to the mix of proposals that is most advantageous to the Government.
- The RFP will be structured to allow bidders to demonstrate the synergy and efficiency of bundling many or all of the elements under a single contractor.

Slide Information provided by FORSCOM

Summary

- FY00 goal for CONUS is 100 systems.
- Army has lead the effort (since early 90's) and *continues* to move out!
- Army execution is decentralized - MACOMs and Installations have responsibility
- Privatization is a big challenge - It takes the whole team working together to make this happen.

ACSIM Utilities Privatization Webpage
http://www.hqda.army.mil/acsimweb/fd/policy/utilitiespricur.htm